Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Applications of GTE Corporation	)	CC Docket No. 98-184
and Bell Atlantic Corporation	)	
for Consent to Transfers of	)	
FCC Licenses and Authorizations	)	

PETITION TO CONDITION GRANT

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SUMMARY

Any Commission approval of the proposed Bell Atlantic/GTE merger must be conditioned in order to protect the public interest. As fully explained below, the applications to transfer control should only be granted if Bell Atlantic/GTE (1) agree to fully maintain integrated rates across all affiliated companies covering all services offered (including Commercial Mobile Radio Services ("CMRS")), and (2) commit--at a minimum--to the conditions contained in the Commission's authorization of the Bell Atlantic/NYNEX merger. Only through the imposition of such conditions can the Commission find that the proposed merger serves the public interest.

The Commission has held that the public interest is served only when the transfers of control advance the broad goals of the Communications Act of 1934, as amended ("Act"), including the promotion of competition as well as the preservation and advancement of Universal Service. Any analysis of the proposed merger's effect on Universal Service must necessarily include an inquiry into the merger's impact on rate integration since rate integration--pursuant to Section 254 of the Telecommunications Act of 1996 ("1996 Act")--is an essential component of Universal Service.

Should the Commission decide to approve the proposed merger, it should condition the transaction on a commitment by Bell Atlantic/GTE to maintain fully integrated rates across all affiliated companies and subsidiaries covering all services offered, including CMRS, for calls between the Commonwealth and all other U.S. domestic points in Bell Atlantic/GTE's service area. Both GTE and Bell Atlantic continue, through various legal actions, to attempt to scale back the important national policy of rate integration at the expense of American consumers. Given that the proposed merger would create the largest LEC in the Nation (serving

approximately 36 percent of all lines served by large LECs), it would result in enormous economies of scale which would uniquely and readily accommodate the rate integration conditions proposed in this Petition. In short, the instant transaction presents the Commission with a unique opportunity to ensure compliance with Section 254(g) of the 1996 Act.

In addition, approval of the proposed transaction should also be conditioned--at a minimum--on a commitment by Bell Atlantic/GTE to adhere to the pro-competitive conditions established in the Commission's *Bell Atlantic/NYNEX Ruling*. GTE's operating affiliate, Micronesian Telecommunications Corporation ("MTC"), is the monopoly telephone service provider in the Commonwealth. Although it has received at least two interconnection requests to date, MTC has yet enter into an interconnection agreement. If the proposed transaction is allowed to close, Bell Atlantic's substantial size and resources will only solidify GTE's existing monopoly in the Commonwealth, further impeding the ability of new market entrants to penetrate the Commonwealth's market. Further, Bell Atlantic--which has shown a keen interest in Asian telecommunications markets which border the Commonwealth--would be eliminated as a potential competitor in the Commonwealth's market. Thus, in order to counter the clear negative competitive effects of the proposed transaction, the Commission should require Bell Atlantic/GTE to agree to the conditions established in the Commission's *Bell Atlantic/NYNEX Ruling*.

In sum, the Commonwealth shares the Commission's concern over the impact of the declining number of large incumbent LECs and the concomitant loss of useful benchmarks as a result of recent merger activity. In part for this reason as well as the other competitive concerns presented by the proposed merger, the Commonwealth urges imposition of the conditions described herein.

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PETITION TO CONDITION GRANT

The Commonwealth of the Northern Mariana Islands ("Commonwealth"), by its attorneys, hereby petitions the Commission to condition the grant of the above-captioned applications ("the Applications") for consent to transfer control of the licenses of GTE Corporation ("GTE") and its operating subsidiaries from GTE to Bell Atlantic Corporation ("Bell Atlantic").[1] Bell Atlantic's proposed acquisition of GTE raises serious concerns affecting both compliance with the Commission's rate integration policy as well as the development of competition in the Commonwealth's local telecommunications market.

The Commonwealth is not seeking denial of the Applications. The Commonwealth believes that the transaction can proceed in a manner which is both consistent with the public interest as well as the pro-competitive objective of the Telecommunications Act of 1996 ("1996 Act"), so long as it is subjected to appropriate conditions. Specifically, as discussed below, Bell Atlantic/GTE should be required to commit to maintaining *fully* integrated rates across all

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[1] See Applications for Transfer of Control of GTE Corporation and Bell Atlantic Corporation (Oct. 2, 1998) (collectively, "the Applications"). See also GTE Corporation and Bell Atlantic Corporation Seek FCC Consent for a Proposed Transfer of Control and Commission Seeks Comment on Proposed Protective Order Filed by GTE and Bell Atlantic, Public Notice, CC Dkt. No. 98-184, DA 98-2035 (Oct. 8, 1998).

affiliated companies covering *all* services offered (including Commercial Mobile Radio Services ("CMRS")). Further, to jump start local competition in the Commonwealth market as well as counter the anti-competitive effects of the proposed merger, Bell Atlantic/GTE should be required to commit--at a minimum--to the conditions contained in the Commission's authorization of the Bell Atlantic/NYNEX merger as well as other conditions which the Commission may deem appropriate.[2] In view of the additional burden which the applicants face in light of the declining number of large incumbent LECs, the proposed transaction should only be approved subject to these conditions.

I. INTRODUCTION

A. The Petitioner

The Commonwealth consists of 14 islands strategically located in the North Pacific Ocean approximately 3,300 miles west of Honolulu, 1,200 miles southeast of Tokyo and 50 miles north of the Territory of Guam ("Guam"). The populated islands of the Commonwealth (i.e., Saipan, Tinian and Rota) have a total 1997 population of 63,763, according to a recent Census Bureau estimate.[3]

The Commonwealth is a self-governing commonwealth in political union with and under the sovereignty of the United States. The relationship between the Commonwealth and the United States is governed by the "Covenant to Establish a Commonwealth of the Northern

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[2] In Re NYNEX Corporation Transferor, and Bell Atlantic Corporation Transferee, For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries, Memorandum Opinion and Order, 12 FCC Rcd. 19985, 20107 (1997)("Bell Atlantic/NYNEX Order").

[3] New Census Figures for U.S. Islands, The Associated Press (May 8, 1998).

Mariana Islands in Political Union with the United States of America."[4]

As a U.S. commonwealth, the Commonwealth has sought closer integration into the U.S. telecommunications infrastructure. As a result, on July 1, 1997, the Commonwealth became part of the North American Numbering Plan.[5] Moreover, the Commonwealth has been encompassed under the Commission's rate integration policy effective September 1, 1997.[6]

B. The Transaction

Under the transaction proposed by the parties, GTE will become a wholly-owned subsidiary of Bell Atlantic. Following the merger, approximately 57 percent of the shares of Bell Atlantic will be held by the current shareholders of Bell Atlantic, and approximately 43 percent of the shares of Bell Atlantic will be held by the current shareholders of GTE.[7] The Board of Directors of Bell Atlantic will be made up of an equal number of members from both

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[4] See 48 U.S.C. § 1801 (1997) (approved by Congress in Public Law 94-241 on March 24, 1976).

[5] See In Re Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd. 8776, 8996 at n.1058 (1997)(citing to North American Numbering Plan Planning Letter, NANP-Introduction of New 670 (CNMI) Numbering Plan Area (NPA), PL-NANP-010 (Sept. 4, 1996)).

[6] In Re Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, Report and Order, 11 FCC Rcd. 9564 (1996)("Interexchange Order"), recon. denied Memorandum Opinion and Order, 12 FCC Rcd. 11548 (1997)("Interexchange Memorandum Opinion"), modified by First Memorandum Opinion and Order on Reconsideration, 12 FCC Rcd. 11812 (1997)("Interexchange Recon. Order"), partially stayed by Order, 12 FCC Rcd. 15739 ("Stay Order")(appeal pending).

[7] In Re GTE Corporation and Bell Atlantic Corporation For Consent to Transfer Control, Application for Transfer of Control at 2 (Oct. 2, 1998)(located at "Cover Application" at Applications).

Bell Atlantic's and GTE's Boards.[8]

C. GTE and its Affiliates in the Commonwealth

GTE Corporation is the largest independent local exchange carrier ("LEC") and the fourth largest LEC overall in the United States.[9] GTE is a global communications company that provides local telephone service in 28 states and provides wireless services (including CMRS), nationwide long distance services, Internet services as well as video services in selected markets.[10]

GTE's affiliated companies, Micronesian Telecommunications Corporation ("MTC") and GTE Pacifica (collectively, "GTE Affiliates"), provide telecommunications services in the Commonwealth. MTC is the incumbent local exchange carrier in the Commonwealth, providing both local exchange services and exchange access service. On January 1, 1998, GTE established a separate affiliate, GTE Pacifica, to provide international and interstate services in the Commonwealth in compliance with Section 64.1903(c) of the Commission's Rules.[11] Other than MTC's affiliated company, GTE Pacifica, only one other interexchange carrier, IT&E Overseas,

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[8] Id.

[9] Preliminary Statistics of Communications Common Carriers at 13, Table 2.1 (1997 Edition).

[10] Applications at 4.

[11] See 47 C.F.R § 64.1903(c) (1997); and In Re Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace, Second Report and Order in CC Docket No. 96-149 and Third Report and Order in CC Docket No. 96-61, 12 FCC Rcd. 15757, 15771 (1997).

Inc., has established a point-of-presence in the Commonwealth.[12]

Competition in the provision of local telecommunications services is essentially non-existent in the Commonwealth. To date, MTC has yet to enter into an interconnection agreement with a competitive local exchange carrier ("CLEC").

Competition in the provision of off-island services is very limited as GTE Pacifica is the dominant service provider. GTE Pacifica and MTC essentially control access off the islands by means of their ownership of the sole submarine fiber optic cable connecting the Commonwealth islands of Saipan, Tinian and Rota with Guam (and, in turn, with various submarine cables connecting Guam with the rest of the world).[13] The GTE Affiliates also control essential multi-purpose earth station facilities necessary to reach the Pacific region's INTELSAT satellites,[14] as well as analog microwave facilities which link the Commonwealth and Guam.

Due to high telecommunications costs and the lack of competition in the provision of local services in the Commonwealth, the telephone penetration rate in the Commonwealth,

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[12] See In Re IT&E Overseas, Inc. v. Micronesian Telecommunications Corporation, Memorandum Opinion and Order, File No. E-98-31, at ¶ 2, n. 11 (Aug. 10, 1998).

[13] In Re Micronesian Telecommunications Corporation Application for a License to Land and Operate a High Capacity Digital Submarine Cable System Extending Between the Commonwealth of the Northern Mariana Islands and Guam, Cable Landing License, 8 FCC Rcd. 748 (1993); and In Re Micronesian Telecommunications Corporation and GTE Pacifica Incorporated, Application, ITC 97-778-AL (Dec. 11, 1997).

[14] In Re Micronesian Telecommunications Corporation Application for Section 214 Authority to Acquire from Comsat Earth Stations, Inc., Memorandum Opinion, Order and Authorization, 3 FCC Rcd. 1617 (1988).

66.8%, is far below the U.S. average.[15]

D. Bell Atlantic

Bell Atlantic provides local telephone service in 13 states and the District of Columbia, as well as wireless services (including CMRS), Internet services and video services in selected markets. The Commission recently approved--subject to specified conditions--Bell Atlantic's request to transfer control of certain licenses and authorizations from NYNEX to Bell Atlantic in connection with the merger of those two companies.[16] Pursuant to the Commission's ruling approving that transaction, Bell Atlantic serves approximately 38 million customers with 38.3 million access lines.[17] If the proposed merger between Bell Atlantic and GTE is consummated, the new Bell Atlantic will be the largest LEC in the Nation.[18]

E. The Applicable Legal Standard

Sections 214(a) and 310(d) of the Communications Act of 1934, as amended ("Act"), require the Commission to determine that the proposed transfers of control serve the public

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[15] See Commonwealth of the Northern Mariana Islands Statistical Yearbook, Central Statistics Division, Department of Commerce and Labor, at 78 (1993). As the Commission has found, there is a direct correlation between low subscribership levels and high telecommunications rates. See In Re Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd. 8776, 8838-8839 (1997)("Universal Service Order").

[16] See Bell Atlantic/NYNEX Order at 20097.

[17] Id. at 19994-19995.

[18] See Bell Atlantic and GTE Agree to Merge, Press Release at 2, dated July 28, 1998.

interest prior to issuing any order approving the Applications.[19] In evaluating whether the public interest is served by the transfers of control, the Commission must first find that they advance the broad goals of the Act which include: "the implementation of Congress' pro-competitive, de-regulatory national policy framework," as well as "preserving and advancing universal service."[20] In fact, in a recent speech by Commissioner Gloria Tristani, the Commissioner emphasized that the Commission's public interest assessment of mergers should include an evaluation of their impact on universal service.[21] Bell Atlantic and GTE bear the burden of demonstrating that the public interest will be served by approval of the Applications. As the Commission stated in the Bell Atlantic-NYNEX Order:

> Applicants must demonstrate not only the efficiency benefits of the merger, but how the merger would enhance or not retard competition. Failure to carry the burden of proof means the Commission must deny the applications or designate them for hearing.[22]

The Commission also has the power to condition the grant of the applications for transfer of control where necessary to protect the public interest.[23]

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[19] 47 U.S.C. §§ 214(a) and 310(d) (1997). See also In Re Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Southern New England Telecommunications Corporation, Transferor To SBC Communications, Inc., Transferee, Memorandum Opinion and Order in CC Dkt. No. 98-25, FCC 98-276 (Oct. 23, 1998); and Bell Atlantic/NYNEX Order at 20007-20008.

[20] Bell Atlantic/NYNEX Order at 19987.

[21] See "Mergers, Consumers and the FCC," Remarks of Commissioner Gloria Tristani before the National Association of Regulatory Utility Commissioners at 2 (Nov. 8, 1998)("Tristani Remarks").

[22] Id. at 20007-20008.

[23] Id. at 20006-20007 and supra at n.2. See also 47 U.S.C. § 214(c) (1997); and Tristani Remarks at 3.

Finally, the Commission has expressed concern over the impact of the declining number of large incumbent LECs (and the loss of useful "benchmarks") as a result of recent merger activity.[24] Because of this, the Commission has determined that "future applications bear an additional burden in establishing that a proposed merger will, on balance, be pro-competitive and therefore serve the public interest, convenience and necessity."[25]

II. BELL ATLANTIC/GTE SHOULD BE REQUIRED TO MAINTAIN FULLY INTEGRATED RATES ACROSS ALL AFFILIATED COMPANIES COVERING ALL SERVICES OFFERED, INCLUDING CMRS

Should the Commission decide to approve the Applications, it should condition the transaction on a commitment by Bell Atlantic/GTE to maintain fully integrated rates (1) across all affiliated companies and subsidiaries, and (2) covering all services offered, including CMRS offerings, for calls between the Commonwealth and all other U.S. domestic points in Bell Atlantic/GTE's service area.

Section 254 of the 1996 Act intends to preserve and advance the fundamental policy goal of universal service, 47 U.S.C. § 254 (1997).[26] The merger may only be approved if the Commission finds that it will not be inconsistent with the principles of universal service and rate

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[24] Bell Atlantic/NYNEX Order at 19994. Specifically, the Commission expressed concern in the Bell Atlantic/NYNEX Order about the impact which the declining number of large incumbent LECs could have on the Commission's ability to "carry out its responsibilities to ensure just and reasonable rates, to constrain market power in the absence of competition, and to ensure the fair development of competition that can lead to deregulation." Id.

[25] Id.

[26] H. Rep. No. 104-458, at 128 (1996).

integration embodied in Section 254 of the 1996 Act.[27] Rate integration is an essential component of the principal of universal service, having been included as subsection (g) under Section 254 of the 1996 Act. One of the principles of universal service contained in Section 254 of the 1996 Act states:

> Consumers in all regions of the Nation, including consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including *interexchange services and advanced telecommunications and information services*, that are comparable to those services provided in urban areas and *that are available at rates that are reasonably comparable to rates charged for similar services in urban areas*. 47 U.S.C. § 254(b)(3) (1997)(emphasis added).

Without rate integration, consumers located in insular and high cost areas of the Nation would be charged significantly higher rates for telecommunications services than rates charged for similar services in urban areas. Such a result would be in direct conflict with Section 254(g) and the Universal Service Principle quoted above. Thus, the Commission's public interest determination must include an analysis of the effect of the merger on rate integration.

Such an analysis is particularly important in view of the fact that both Bell Atlantic and GTE have attempted to scale back the important national policy of rate integration at the expense of American consumers. These efforts are ongoing today. Were the proposed transaction allowed to close absent the imposition of special conditions to safeguard rate integration, the possibility exists--due to ongoing legal challenges to the rate integration requirement by both Bell Atlantic and GTE--that in the future MTC may not integrate its rates with those of other Bell Atlantic/GTE affiliates and that the companies' CMRS offerings may be excluded from rate integration.

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[27] See supra at 7 and n.20.

In adopting Section 254(g) of the 1996 Act, Congress codified the principle that rate integration is an important component of the broader national objective of promoting universal service and extended rate integration to the Commonwealth.[28] As a result of Section 254(g), the historic pattern of rate discrimination, to which the Commonwealth was subject, ended, and the Commonwealth was placed on an equal footing with other U.S. states, territories and commonwealths which have long enjoyed the benefits of rate integration. Since Section 254(g) was enacted, the Commission has adopted rate integration rules, applicable to GTE and other telecommunications providers, requiring that rates for calls between the Commonwealth and domestic U.S. points be rate integrated.[29]

The implementation of rate integration has proven enormously beneficial to U.S. citizens in the Commonwealth as their off-island long distance rates have decreased over seven-fold since the Commission's Interexchange Order adopting rate integration rules was released.[30] While rate integration has been important to other off-shore U.S. points, it is uniquely important to the Commonwealth due to its distant and remote geographic location and consequently greater dependence upon telecommunications to interact with the contiguous U.S.[31]

The effort to secure rate integration for the Commonwealth, however, remains an ongoing struggle. GTE and other service providers have fought the establishment of regulations and policies which would subject them to rate integration every step of the way. For example,

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[28] Interexchange Order at 9596.

[29] Id.

[30] See Interexchange Recon. Order at n.98.

[31] See Comments of the Commonwealth of the Northern Mariana Islands, CC Dkt. No. 96-61, at 6 (filed Apr. 19, 1996).

while service providers were directed to submit rate integration plans sufficient to implement integrated rates by August 1, 1997, GTE and several other providers failed to comply with this requirement.[32] Instead of submitting complete and compliant final rate integration plans on June 1, 1997, these providers submitted deficient plans.[33] These failures occasioned delays in implementing rate integration, causing it to be fully implemented one month late on September 1, 1997, not August 1, 1997 as required by the Commission's Rules.

On June 17, 1997, GTE sought a stay or extension from the Commission, arguing that it should not be required to integrate rates for services offered by MTC with GTE affiliates offering interexchange service in other states.[34] In particular, GTE argued that the term "provider" as used in Section 254(g) of the 1996 Act does not encompass parent companies such as GTE, and that MTC would not be required to integrate rates with other GTE affiliated companies.[35] In its Interexchange Recon. Order, the Commission rejected this outlandish interpretation of Section 254(g) declaring that it would enable carriers such as GTE and others to "effectively thwart the achievement of rate integration."[36]

GTE has taken its determined effort to eviscerate the rate integration policy to the D.C. Circuit. On July 1, 1997, GTE and MTC filed an emergency petition for partial stay seeking to enjoin the Commission's interpretation of Section 254(g) as requiring GTE to integrate MTC's

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[32] Interexchange Memorandum Opinion at 11548.

[33] Id.

[34] Motion for Partial Stay or Request for Extension of GTE Service Corporation in CC Dkt. No. 96-61 (June 17, 1997).

[35] See Interexchange Recon. Order at 11814.

[36] Id. at 11819.

rates with those of GTE's mainland affiliated operating companies.[37] The Commission filed an Opposition to the stay request and the Court subsequently denied GTE's motion.[38]

Although GTE's and MTC's stay request was denied,[39] the issue will invariably again be raised in the pending appeal of the Commission's rate integration rules. On August 28, 1997, GTE and MTC filed a Petition for Review of the Commission's Interexchange Order with the D.C. Circuit Court.[40] The Commission motioned the Court to hold the case in abeyance until Commission action has been taken on pending petitions in the rate integration proceeding. On December 12, 1997, the Commission's motion was granted and, at present, the case continues to be held in abeyance.[41]

Bell Atlantic has also been actively opposing the Commission's rate integration rulings. Shortly after the Commission's July 30, 1997 Interexchange Recon. Order was released, Bell Atlantic Mobile, Inc. along with several other parties filed a Petition for Reconsideration and

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[37] Emergency Petition for Partial Stay of GTE Service Corporation and the Micronesian Telecommunications Corporation, File No. 97-1402 (D.C.Cir. July 1, 1997).

[38] Opposition of the Federal Communications Commission to Emergency Motion for Partial Stay, Case No. 97-1402 (July 8, 1997). The Commonwealth also filed an opposition to GTE's stay request. See Response of Intervenor Commonwealth of the Northern Mariana Islands to Emergency Motion for Partial Stay of GTE Service Corporation, Case No. 97-1402 (July 8, 1997).

[39] See Order in GTE Service Corporation v. Federal Communications Commission, No. 97-1402, (D.C. Cir. July 16, 1997).

[40] See GTE Service Corporation v. Federal Communications Commission, No. 97-1538 (D.C. Cir. pending).

[41] Order in GTE Service Corporation v. Federal Communications Commission, No. 97-1538, dated Dec. 12, 1997 (D.C. Cir. pending).

Petition for Forbearance seeking to carve out an exception from rate integration for its CMRS.[42] Moreover, GTE also filed Comments urging the FCC to reconsider its decision to apply rate integration to CMRS providers.[43] The Commission partially stayed enforcement of its rate integration rules as they apply to CMRS providers pending further reconsideration of the issue in response to a request from PrimeCo Personal Communications, LP ("PrimeCo").[44] Bell Atlantic is one of three companies which own and control PrimeCo.[45] The Commission has not yet issued a ruling in response to Bell Atlantic Mobile Inc.'s Petition.[46]

In light of GTE's and Bell Atlantic's historical and ongoing determination to scale back this important national policy at the expense of American consumers, any Commission approval of the Applications must be conditioned so as to ensure the meaningful implementation of rate integration on the part of Bell Atlantic and GTE. Specifically, the Commission should condition the transaction on a commitment by Bell Atlantic/GTE to maintain rate integration (1) across all

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[42] Petition for Reconsideration and Petition for Forbearance of Bell Atlantic Mobile, Inc. in CC Dkt. No. 96-61 (Oct. 3, 1997).

[43] See Comments of GTE Service Corporation in Support of Primeco Personal Communications, LP Motion for Stay of Enforcement in CC Dkt. No. 96-61 (Sept. 29, 1997). The Commonwealth filed Comments opposing the exclusion of CMRS providers from rate integration requirements. See Opposition of the Commonwealth of the Northern Mariana Islands to Motion for Stay of Enforcement of Primeco Personal Communications, LP (Sept. 29, 1997).

[44] Stay Order at 15739. Specifically, the Commission stayed, pending reconsideration, for CMRS providers, its requirement that providers of interstate interexchange services integrate rates across affiliates. The Commission also stayed, pending reconsideration, application of its rate integration rule to the extent that it otherwise would apply to wide area rate plans offered by CMRS providers.

[45] Id. at 15743.

[46] See In Re Policy and Rules Concerning the Interstate Interexchange Marketplace, Order in CC Dkt. No. 96-61, DA 98-2003 (Oct. 2, 1998).

affiliated companies and subsidiaries, and (2) covering all services offered, including CMRS offerings. The Commission has previously imposed unique conditions not otherwise applicable to regulated carriers in general on grants of transfer of control applications.[47] If properly enforced, these conditions will ensure that all Americans share in the benefits of technological improvements and the emergence of competition consistent with the Universal Service Principles contained in Section 254 of the 1996 Act.

If the Commission allows the transaction to close without appropriate conditions, GTE's argument that MTC not be required to integrate rates with those of affiliated companies takes on a more ominous geographic significance. Were GTE's argument to be granted on appeal, it would mean that MTC's rates need not be integrated with its sister affiliates' long distance rates throughout both the entire Bell Atlantic and GTE operating regions. This consequence further illustrates the evisceration which would result to the rate integration principle were Bell Atlantic's and GTE's determination to scale-back rate integration ever successful. To prevent this plainly absurd result from occurring, the Commission should require Bell Atlantic/GTE's commitment to implementing rate integration such that MTC's rates are fully integrated with those of all Bell Atlantic/GTE affiliated companies once the transaction closes.

Similarly, if the Commission allows the transaction to close without the conditions

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[47] See supra at 7; and Tristani Remarks at 3. See also Bell Atlantic/NYNEX Order at 20107. In that ruling, for example, the Commission conditioned its approval of the transaction on the companies' commitment to provide shared transport to carriers which purchase interconnection from Bell Atlantic as an unbundled network element at usage sensitive rates that are based on forward-looking, economic costs for use in providing telephone exchange and exchange access service. Such a condition was imposed on the approval of the transaction despite the Eighth's Circuit's decision that the FCC lacked jurisdiction to issue interconnection pricing rules. Iowa Utilities Board v. FCC, No. 96-3321, slip op. at 113 (8th Cir. July 18, 1997)(appeal pending).

requested herein, Bell Atlantic Mobile, Inc.'s and GTE's argument that CMRS services are not encompassed under rate integration also takes on a more ominous geographic significance. Were Bell Atlantic not required to integrate CMRS rates across CMRS affiliates, the GTE Affiliates' interexchange CMRS rates in the Commonwealth, for example, could be significantly higher than those of Bell Atlantic/GTE's mainland CMRS operating affiliates. Given the increasing reliance by both residential and business ratepayers on CMRS services, it is plain that the rate integration policy would be severely undermined were it determined that it does not encompass CMRS, or were an exception to be established for CMRS affiliates. To prevent this undesired result, the Commission should require Bell Atlantic/GTE's commitment to implementing rate integration such that all CMRS offered by Bell Atlantic/GTE or its affiliates once the transaction closes are fully encompassed by rate integration.

Imposing such conditions to ensure fully integrated rates across all affiliated companies and including CMRS is totally supported by the increased economies of scale which the merger would achieve. If the proposed transaction is allowed to close, Bell Atlantic will become the largest LEC in the Nation, serving approximately 36 percent of all lines served by large LECs. In their Applications, Bell Atlantic/GTE base their public interest argument on the "significant economic and marketing efficiencies" which the merger will facilitate.[48] In short, the size and scope of the merged entity will provide an enormous base over which to absorb the costs of the conditions proposed herein.

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[48] In Re Application of Bell Atlantic Corporation and GTE Corporation for Transfer of Control of International Section 214 Authorizations and Cable Landing Licenses, Application at 2 (Oct. 2, 1998)(located at Applications at Volume II, Tab 20).

III. ANY GRANT OF THE APPLICATIONS SHOULD INCLUDE CONDITIONS DESIGNED TO PROMOTE COMPETITION IN THE COMMONWEALTH'S LOCAL TELECOMMUNICATIONS MARKET

Given the lack of competition in the Commonwealth's local telecommunications market, and the potentially anti-competitive impact the proposed transaction would have, the Commonwealth believes that the transaction should only be approved if conditions are established which will prompt MTC to effectively open the local telecommunications market to competition. At a minimum, the transaction should be conditioned upon adherence to the conditions established in the Bell Atlantic/NYNEX transaction.

GTE and its operating affiliates are indisputably the dominant providers of telecommunications services in the Commonwealth. Competition in providing local telecommunications services is essentially non-existent in the Commonwealth. More than two years after passage of the 1996 Act, MTC has yet to enter into an interconnection agreement. While the Commonwealth market is small, new entrants are interested in serving the market as evidenced by the fact that MTC has received at least two interconnection requests from prospective CLECs.[49] Moreover, local service between the islands of Saipan, Tinian and Rota is provided over fiber optic or microwave facilities owned exclusively by MTC.

The GTE Affiliates also control access off the Commonwealth islands by means of their exclusive ownership of submarine fiber optic, microwave and earth station facilities connecting the Commonwealth with Guam and, in turn, the rest of the world. Only limited domestic and

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[49] See e.g., Letter of John M. Borlas, P.E., President, IT&E Overseas, Inc. to Del Jenkins, MTC, dated May 16, 1997; and Letter of Rick Novak, Saipan Cable to Rob Enfield, General Manager, MTC, dated Apr. 26, 1996.

international off-island competition exists.

In view of the absence of competition in the Commonwealth's local telecommunications market, Bell Atlantic's proposed acquisition of GTE raises serious concerns over the prospects of competition developing in that market in the future. Bell Atlantic's acquisition of GTE will substantially expand its already-formidable operations which were augmented through the acquisition of NYNEX in 1997. GTE, through its subsidiaries, is the largest independent LEC and the fourth largest LEC in the U.S. As noted by the United States District Court for the District of Columbia in 1984: "in some significant respects, particularly size and scope of operations, GTE more or less matches the Bell Regional Holding Companies."[50] Since that time, GTE's operations have been expanded. As indicated above, if the proposed transaction closes, Bell Atlantic will become the largest LEC in the Nation, serving approximately 36 percent of all lines served by large LECs. Moreover, Bell Atlantic's substantial size and resources will only solidify GTE's existing monopoly grasp on the Commonwealth's telecommunications market. The ability of new market entrants to penetrate the Commonwealth's market, particularly smaller local companies which have already shown an interest in serving this market, will be further impeded.

Another significant concern posed by the proposed transaction is that it would eliminate Bell Atlantic as a potential competitor in the Commonwealth market. According to the Bell Atlantic/NYNEX Order, in telecommunications markets that are virtual monopolies or that are not yet developed, the loss of even one potential competitor can adversely affect the development

[50] United States v. GTE Corp., 603 F. Supp. 730, 737 (D.D.C. 1984).

of competition.[51] In fact, in the Bell Atlantic/NYNEX Order, the Commission concluded that the merger of Bell Atlantic and NYNEX likely would retard or eliminate competition in local markets by eliminating the companies as competitors to each other, and thus, was not in the public interest. However, the Commission approved that merger only after the companies agreed to a number of specific pro-competitive conditions which the Commission determined would alleviate the negative effects of the merger. The same analysis applies in the case of the Commonwealth's monopoly local market. Moreover, the assumption cannot be made that Bell Atlantic would not have entered the Commonwealth's telecommunications market. Having investments in telecommunications businesses in the Philippines, Indonesia, Thailand and New Zealand, Bell Atlantic has demonstrated a keen interest in the Asian telecommunications markets which border the Commonwealth.[52] In short, Bell Atlantic may be considered a potential competitor to GTE in the Commonwealth's telecommunications market, and the elimination of Bell Atlantic as a prospective entrant only enhances the likelihood that MTC will further entrench itself against competitive erosion.

For these reasons, the Commonwealth believes that the transaction should only be approved subject to appropriate conditions designed to promote the development of competition in the Commonwealth's local telecommunications market. At a minimum, the Commission should require Bell Atlantic/GTE to agree to the conditions established in the Bell

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[51] Bell Atlantic/NYNEX Order at 20022. Commissioner Tristani recently remarked, "if the pending mergers were never proposed, the merging companies might have ended up competing against each other. Some say that the lost consumer welfare due to diminished competition would be a critical failure of government to protect consumers." Tristani Remarks at 1.

[52] Id. at 19994-5.

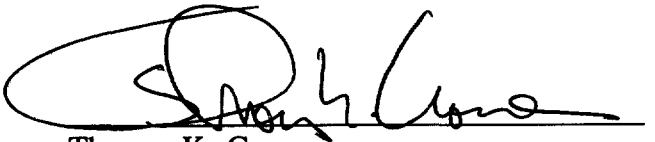
Atlantic/NYNEX Order. Extending these conditions to the Bell Atlantic-GTE transaction, and in particular the Commonwealth's market, would only make sense since Bell Atlantic is already adhering to those conditions with respect to the Bell Atlantic-NYNEX transaction. Moreover, requiring compliance with the conditions in the context of the Commonwealth market would enhance the uniform implementation of local competition in all Bell Atlantic service areas. Indeed, the need for imposition of conditions is greater in the instant case than in the Bell Atlantic-NYNEX transaction since the Commission has expressed concern over the declining number of large incumbent LECs and the concomitant loss of useful regulatory "benchmarks.[53] Approving the transaction subject to, at a minimum, these conditions will promote pro-competitive benefits which could mitigate the potentially negative impacts of the proposed merger in the Commonwealth's telecommunications market.

[53] See supra at 7 and n.23.

IV. CONCLUSION

For the foregoing reasons, the Commission should condition its approval of the proposed transaction upon implementation of the conditions discussed above which are designed to ensure that consumers in the Commonwealth receive the full benefits of both rate integration and local telecommunications competition.

Respectfully submitted,



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November 23, 1998

CERTIFICATE OF SERVICE

I, Elizabeth Holowinski, an attorney with the Law Offices of Thomas K. Crowe, P.C., do hereby certify that on this 23rd day of November, 1998, a copy of the foregoing "Petition to Condition Grant" was served by first class United States mail, postage pre-paid, or by hand delivery where indicated by an asterisk (*), upon the parties listed below.

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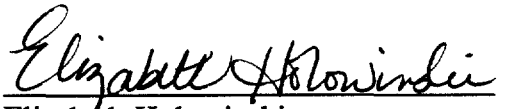
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